



# EMN Legislative Mapping Report FRANCE



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This series of national factsheets provides a snapshot of the various legislative frameworks concerning the provision of microcredit in Europe by non-bank financial intermediaries.

The national factsheets cover the following thematic areas:

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## Regulation of Lending Activity

In France, a specific regulation<sup>1</sup> on microcredit is in place and allows non-profit associations to grant loans up to a maximum amount of EUR 12,000 for professional microcredit and EUR 5,000 for personal microcredit (these credit facilities must be guaranteed).

The only status possible to disburse microcredit outside banks and non-banking financial institutions is an association. In this case, an authorization from the Central Bank is needed in order to start microloans disbursement. To benefit from this authorization, associations must respect a few prudential ratios. In this case, the funding of the loans comes from the associations' equity or from funds borrowed from commercial banks.

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## Supervisory Framework for Non-Bank Lending

The French microfinance sector is supervised by the Central Bank. According to the Central Bank regulations, the MFIs must respect the following prudential ratios:

- ➔ Total equity must remain higher than 12% of outstanding microcredits that are neither provisions nor guarantees; and,
- ➔ Equity must include a Reserve Fund remaining higher than 30% (this ratio can be revised considering historical defaults on microcredits) of outstanding microcredits that are neither provisions nor guarantees.

Microcredit provision for both personal and professional microcredits must be guaranteed. The Central Bank also requires MFIs to produce a quarterly report on their activities, portfolio and an annual review of their financial situation.

In terms of data protection, there is no National Credit Bureau in France. However, a "negative file" where clients with negative credit history are listed exists and associations such as Adie are allowed to access these data.

1. [The article L.511-6-5 of the Monetary and Financial Code](#)

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## Products

### Professional microcredits

French MFIs are allowed to disburse business microloans up to a maximum of EUR 12,000 and the national regulation does not impose any interest cap on business microloans.

### Personal microcredits

French MFIs are allowed to disburse personal microloans up to a maximum of EUR 5,000 and the national regulation imposes an interest cap on personal microloans as follows (as of January 2017<sup>2</sup>):

- ➔ Personal microloans up to EUR 3,000 : 19,96%
- ➔ Personal microloans between EUR 3,000 and EUR 6,000 : 13,25%

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## Incentives and Support

The microfinance sector in France receives strong support by several stakeholders (mainly public). In terms of financial support, the sector receives guarantees from the European Investment Fund, under national mechanism called Social Cohesion Fund ("Fonds de Cohésion Sociale"), and under other local mechanisms, funds for on-lending activities especially for 'Senior Loans' by BPI France, Caisse des Depots, the French Agency for Development (AFD), and European Investment Fund. Also, the regional and national governments provide equity and support through grants/subsidies for the provision of business development services (BDS).

In terms of incentives, individuals and organizations (enterprises, foundations) that provide financial support to MFIs receive various forms of tax incentives such as a tax deduction.

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## Development of the Existing Framework for Non-Bank Microcredit Provision

Currently, no improvement of the legal framework is needed in France, but additional guarantee schemes are perceived as essential to support the development of the sector.

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## Inclusive Entrepreneurship and Microenterprise Development

To ensure inclusive entrepreneurship and microenterprise development, the French government has several policies to encourage entrepreneurship. The system facilitates a simplified procedure for business registration, and the social security contributions entrepreneurs pay are calculated according to their sales in order to reduce the risks associated with start-ups (auto-entrepreneur).

Moreover, new entrepreneurs qualify for unemployment allowances during the start-up period if they meet certain requirements (being unemployed before the business creation, level of financial resources etc.). Entrepreneurs that meet these requirements can combine earned incomes with social allowances to sustain their business until they exit the social system.

Finally, French laws can sometimes limit entrepreneurs because some professions are strictly reserved to qualified people who have a specific degree; for example a hairdresser who wants to create a hair salon in France has to have a diploma in hairdressing.

2. [http://www.tresor.economie.gouv.fr/7234\\_seuils-de-l-usure-applicables](http://www.tresor.economie.gouv.fr/7234_seuils-de-l-usure-applicables)



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